

PORTFOLIO MANAGERS



Robert Swanson, CFA
Principal & Portfolio Manager

Robert Swanson serves as a Principal and Portfolio Manager at Cambridge Global Asset Management. He is the co-manager of Cambridge Asset Allocation, Cambridge Monthly Income Fund and Cambridge Global High Income Fund, and manages the Canadian equity strategies for Cambridge's Institutional clients.



Paul Marcogliese, CFA
Fixed Income Portfolio Manager

Paul Marcogliese serves as a Fixed Income Portfolio Manager at Cambridge Global Asset Management. He is responsible for managing Cambridge Bond Fund and is the co-manager of Cambridge Asset Allocation Corporate Class, Cambridge Global High Income and Cambridge Monthly Income Funds.

PERFORMANCE

Performance	3 Month	1 Year	3 Year	5 Year	10 Year	Since inception
Cambridge Monthly Income Fund Class F	-7.9%	-4.6%	1.6%	1.8%	N/A	5.4%

Inception Date: January 9, 2012

Source: Cambridge Global Asset Management, as at March 31, 2020.

PORTFOLIO COMMENTARY

We entered 2020 thinking the market was reasonably fairly valued. At the time, we were finding opportunities in cyclical areas of the market, such as select industrial, energy, utilities and consumer staples businesses. While much of the market downturn has been due to concerns over the impact of COVID-19 on the economy, it has been further compounded by actions such as Russia's decision to not work with OPEC to better match oil supply with reduced demand. Saudi Arabia retaliated by announcing it would flood markets with cheap crude. This had an impact on the price of oil, which suffered the worst losses since the start of the 1991 Gulf War.

The Fund returned -7.9% for the three months ending March 31, 2020.

Over the quarter, McKesson Corp. and Microsoft Corp. were top contributors. McKesson is a distributor of health care pharmaceuticals and medical supplies in the U.S. The company is an integral supplier to the industry and has benefited as hospitals have stocked up on medical supplies to combat COVID-19, although this has been somewhat offset by a reduction in discretionary medical procedures. The company is well positioned to weather a slowing economy. Microsoft develops software applications and services. The company has performed well through the sell off as it is relatively insulated from the economic slowdown. Over the mid to long-term, we believe it can grow free cash flow at a mid-teens rate, driven by business application growth and other platforms, as well as cloud-based infrastructure services growth from Azure.

Our oil-related holdings have suffered in this bear market. Demand for oil has slowed as economies around the world grind to a halt to limit the spread of COVID-19, while supply has accelerated following a breakdown of OPEC+ and failed negotiations to limit production. These unprecedented and simultaneous shocks to demand and supply have translated into a weaker fundamental outlook for oil-related businesses. Canadian Natural Resources Ltd. is an oil exploration and production company that operates primarily in the Canadian oil sands. The shares were pressured during the quarter as oil prices fell, which reduced the future visibility of cash flows for the firm.

Over the quarter, we eliminated a position in Activision Blizzard, Inc., and initiated positions in DuPont de Nemours, Inc. and Manulife Financial Corporation.

Asset mix

	Q1 2020 (%)	Q4 2019 (%)	Change (+/-)
Equity	38%	38%	0%
Fixed Income	60%	60%	0%
Cash	2%	2%	0%

Holdings

	Q1 2020 (%)	Q4 2019 (%)	Change (+/-)
Cambridge Bond Fund Class I	45%	43%	+2%
Cambridge Global Dividend Fund Class I	30%	30%	0%
Cambridge Canadian Short-Term Bond Pool Class I	10%	12%	-2%
Cambridge Canadian Dividend Fund Class I	8%	8%	0%
Cambridge Canadian Long-Term Bond Pool Class I	5%	5%	0%
Cash	2%	2%	0%

Top 10 equity holdings

	Country	Sector	Weight
Verizon Communications Inc.	United States	Communication Services	2.03%
Imperial Brands PLC	United Kingdom	Consumer Staples	1.93%
McKesson Corp.	United States	Health Care	1.89%
Anthem Inc.	United States	Health Care	1.59%
Gilead Sciences Inc.	United States	Health Care	1.37%
Philip Morris International Inc.	United States	Consumer Staples	1.30%
Wells Fargo & Co.	United States	Financials	1.27%
Enbridge Inc.	Canada	Energy	1.00%
Andritz AG	Austria	Industrials	0.95%
Brenntag AG	Germany	Industrials	0.90%

Contributors and detractors

Contributors	Detractors
Gilead Sciences Inc.	Canadian Natural Resources Ltd.
McKesson Corp.	Vermilion Energy Inc.
Microsoft Corp.	Black Stone Minerals LP

We saw the range of stock returns (technically referred to as dispersion) to be much narrower than we typically see in downturns. Let us be clear – the market is faced with an increased uncertainty of binary outcomes, equities and other assets could face continued downward pressure should the severity of the virus accelerate. Early into this recent drawdown, traditionally defensive positions like utilities outperformed, especially as yields fell. Many central banks, including those in Canada, the U.S., Australia and China have reduced interest rates, while bond yields drop to record lows. Concerns around COVID-19 pose risks to corporate profits, leading to a decline in global equities. With lowered equity prices, stocks are an increasingly attractive option for investors.

We have taken a more cautious position in the portfolio than we had going into 2020. This results in buying businesses where we have more confidence in the downside. We have focused our efforts on businesses that generate strong cash flow, have the balance sheets to weather a challenging economic environment and are run by impressive management teams that can allocate capital effectively. Despite weaker economic growth around the world, we are finding high-quality businesses that offer attractive risk/reward investment opportunities at valuations we have not seen in years. As fundamental investors, our focus remains on identifying durable, high-quality businesses that can compound shareholder value through our disciplined bottom-up investment process.

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Source: FactSet, as at March 31, 2020. Unless otherwise noted, all information is provided as at March 31, 2020.

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